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critical commentary

on a report entitled, Problems  
of Material Supply, prepared by Fritz Selbmann, Chief of the Department for  
Material Supply of the East German State Planning Commission, and submitted  
to the SED Politburo in early January 1959.

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The existing shortages and problems in the supplying of materials are discussed in the report in a weak and unclear fashion and the corresponding facts are not pointed up. The report for the most part treats the old, well-known problems in a very general way. The explanation leans too heavily on the superficial and with few exceptions exhibits a clearly optimistic point of view. There is, also, the tendency to prove that a substantial improvement in the material sector of the economy has taken place. Through the recent reorganization of the national economic organization, there have been some ~~few~~ improvements in the administrative set-up; however, in no way is there an improvement in the material supply situation. This situation has been definitely misunderstood. The new organizational form must first be put into practice in order to bring about a substantial improvement in the balance sheet methods, in an increase in the storage and transit capacities of the productive equipment wholesalers, in a formation of true equitable assortments and in sufficient reserves, and in the creation of good advance orders in the processing firms and, above all, to lessen and remove the present problems. Regarding these a list has been ~~drawn up~~ made and the proposals have been put forth; however, no practical way has been shown as to how these goals can be achieved.

~~These shortcomings~~ The main reason for the deficiencies in the report lies in the fact that it is being prepared almost exclusively by the officials of the Division of Balancing and Distribution of the Means of Production in the National Planning Commission under the strong influence of Selbmann; the sales and consumer aspects are hardly brought in - even though the real

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experts are found in these sectors, here is where the negative aspects

appear directly. So the report is prepared in such a way that on one hand an over-negative report is avoided and on the other hand an improvement in the material sector of the economy is shown as a result of the recent reorganization. The politically weak situation of Selbmann ~~✓~~ plays an important role in this connection.

Furthermore, it is striking that ~~in the report~~ a critique of the inadequate work of both the Ministry für Aussen und Innerdeutschen Handel and the Production Ministries (recently the Production Division) and sections of the National Planning Commission is lacking in the report. This would have been absolutely necessary for an effective factual report. It is particularly obvious in the present weak position of Selbmann vis a vis Rau and the officials on the production side. This is demonstrated by the ~~fact~~ fact that the Foreign Trade through Rau takes an exceptionally unrepresentable position at the cost of the consumer; the production sides follow heavily for their own interests against the material interests for a good plan fulfillment; ~~This does not do this~~ whereby great problems arise in the continuous and above all in the proper assortment supply of the economy on the requirement (demand) side.

#### Observations on the Introduction (Pages 1-4)

It is certainly correct that through the reorganization <sup>some</sup> ~~extinction of organizational~~ deficiencies (in no way all) are being eliminated and others could be removed by correct ~~application of the~~ utilization of the new structure. However, this aspect to the problem is ~~extreme~~ not the decisive one as the chief deficiencies and problems in the material supply lie on the material side. The basic problems which fundamentally must bring about the decisive improvement have not been shown here. ~~SECRET~~ The new structure and the new arrangement

of the material sector of the economy are being looked upon as gospel. In reality the situation is completely different, consequently only modest beginnings can be achieved through these methods. It is seen very clearly that the report does not go to the bottom of these problems and that no real critique is being made, since ~~the leaders have too great a~~ the leaders have too great a fear to answer for such gross ~~mix~~ mistakes and shortages, which the economic leaders have made publically. It is also of importance that partly it is actually many times not known as to which concrete way must be tried ~~mix~~ to improve the situation.

Important Clues to some of the Fundamental Problems which are only hinted at or are completely lacking in the report:

1. The balance sheet methods, which in the ~~Communistic~~ planned economy ~~is~~ of <sup>are</sup> decisive importance, ~~is~~ being administered very poorly; in practice ~~it~~ <sup>they</sup> operate particularly detrimentally for the guaranteeing of the planned supply in the economy.

The most important deficiencies and shortages are the following:

- a) Lack of a clearly comprehensive system which can be worked out <sup>uniformly</sup> according to the ~~mix~~ uniformity in practice
- b) Structural ~~shortages~~ deficiencies despite the reorganization
- c) Inaccurate demands (requirement) data because of lacking advance orders on account of the unclear order situation by the consumer for the time periods referring to these [sic].
- d) Lack of market analyses according to assortment, this means in Metallurgy for example according to quality and <sup>size</sup> measurement.
- e) Shortage of qualified specialists
- f) Select Employment plans and worker shortages

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g) Shortage of office and accounting machines, perforated card system, punching processing etc.

h) Inadequate office accomodations for the management

Remarks to Points a-d

The lack of a good system is the most important point. All the employees, who deal with these materials, have their own methods, more or less, which each one has developed himself. On the basis of this, the resulting *variations in the form* *qualities* of the support makes it almost impossible for good coordination, and accordingly also the earnings of a job well-done in the individual branches. The constantly resulting *disproportions* usually result from this.

[redacted] in the opinion of numerous specialists, the reorganization

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of the national and economic organization of the Zone is still in no way the correct structure for this special area. On the basis of several types of opposing duties of the production side vis a vis the Division Selbmann with the connected wholesale offices, it is not expedient that the basic balancing work of the national plan positions for the next plan year, and that the perspective be allowed to be carried out directly and practically, also responsibly by the Production Divisions of the National Planning Commission.

But the new structure specifies this. The production side is placing already a great importance on the yield side and makes sure that the tasks concerning assortment are not too difficult to fulfill. Therefore, of course, the interests of the consumer (the requirement side) are being considered too

little or not at all. The following examination and confirmation of the Div. Selbmann is by necessity for a more formal process, since the extensive balancing support as a consequence of the continuous time factor cannot be

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closely scrutinized. Beyond that as we know from experience mistakes and shortages are eventually found best there, where the real earnings are made and the relating experiences are present. [redacted] the balancing groups should

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be in Selbmann's Division and to the extent that the overall balances be restricted substantially still more according to the national plan positions as well as the entire remaining balances up to the individual assortments be transferred to the supply office. In this way In the National Planning Commission and ~~max~~ even the right place- Division Selbmann- only just the balances according to size for the percentages of the significant material groups would need to follow; for example- with metallurgical products for sheet metal pipes, bar steel etc. One can even go still much further and strive for compilations like rolling steel. For these balances the Division Selbmann could obtain from the demand (requirement) side, production side, and the sales office

the necessary information if a correct system could be set up for this. The remaining fine balances must then be implemented in the sales offices, who alone are in a position to do this. [redacted] note: in other words let's plan demand, not supply)

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Furthermore, it is incorrect as it is now set up that by the individual product groups the VVB and directing firms are to be set up for balancing work, since here again the product interests are being partially put into the foreground and then a later coordination and examination through the appropriate wholesale office in the interests of the consumer are made increasingly difficult, if no dati is seen to be impossible.

For the rest at present the balances set up by the National Planning Commission according to the Plan positions and the groups are expressed in only a very limited way, since nothing is said about the possible assortment; for example the

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the qualifications and measurements in the metallurgical industry. The resulting disadvantages evidence themselves clearly in the problems which then arise in the yearly plan itself and in the guaranteeing of the complete supplying ~~mix~~ of the quota released by the National Planning Commission on the basis of these total balances; this means material supply authorizations for the consumer. These quotas contain only the normal tons in the quantity specifications, for which a fixed assortment is binding. On the basis of its real order position the requirement contracts ordered later for an assortment deviating from the normal ton, its quota can not be delivered in full, if it ~~mix~~ concerns qualifications and specifications which require employing much more labor, as the necessary capacities for these are lacking. Help is found in these cases, which crop up much too frequently, in the respective wholesale office; the method used is to renew delivery shares on the basis of the effective quarterly balance; this means practically a double quota. For this reason the method of the quota used up until now is being examined in the Plan of action. The new delivery shares for the most part are now under the quotas originally given and they do not agree with the Plan-tasks of the consumer firms, and of course, this results in a material gap for the firms.

The main task of the balancing is the duty of the supplying offices, which at the present time still have to work out the delicate assortment balances from the very imperfect basis of the national balances of the National Planning Commission. Thus far for the next ~~Biennium~~ yearly plan it is anticipated as absolutely necessary in order to locate the ~~mix~~ ~~mix~~ disproportions from beforehand and to set up methods for their removal ( for example- higher imports in certain quality and specification groups or eventual new investments) to have these

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detailed balances which have hardly been made because the necessary information support and personnel are lacking. Moreover the old structure of the Marketing Division in the Production Ministry and DHZ are not set up at all for these tasks. Despite this situation, this form of detailed balancing with into rough distribution is being expected from the new offices. Naturally, these balances made without the necessary ~~support~~ and proper personnel were correspondingly far from perfect and completely inadequate, as they ~~xxx~~ contained only the estimated value and for the most part distribution could not be undertaken, especially because in the process of reorganization a new distribution was set up which differs substantially from the old according to the Ministries. Apart from this, furthermore difficulties have already arisen according to the correct time preparation of the plan ~~is~~ <sup>data</sup> for the following planning time period (year) and also at present for this period of time there does not exist an orderly specified requirements data on the requirements side, but the largest part of the reports contain by far only crude evaluations without distribution by assortment, which is particularly necessary for a real position on the production side. Since the wholesale trade does not issue detailed market analyses for the previous time periods, these sensitive gaps cannot be closed. Market analyses have only now just begun.

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According to the delivery plans have only significant meaning and corresponding effect when they are being worked out

for the Plan positions quarterly for the main part by the offices. The respective

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order system is set up according to the order of the delivery and the supplying

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of certain product groups. ~~These delivery plans contain~~ ~~which~~ ~~are~~ ~~not~~ ~~to~~ ~~be~~ ~~carried~~ ~~out~~

~~The~~ ~~quotas~~ and ~~which~~ requirement group firms ~~for the~~ ~~non-quota~~

~~products~~ ~~receive~~ ~~material~~, in what quantity and from whom. In this

framework the real delivery contracts are contracted for the internal consumption

between the ordering firms and delivery firms according to a monthly basis and

for ~~import~~ import material between the supplying firms and wholesalers on a

quarterly basis. Substantial difficulties ~~are~~ ~~not~~ ~~to~~ ~~be~~ ~~overcome~~ result from the work

of the delivery plan, since the order situation is often muddled due to the

orders not being delivered on time and frequently there is a desire for change,

which no longer can be considered or will lead to substantial harm to the

already set-up production timetable.

Through unforeseen events, such as a stoppage in a plant or spotty delivery

of the imports, gaps appear which cannot be closed, as practically no

material reserves or capacity reserves are available. For these reasons the

delivery plans must be completely changed and curtailment follows for the

least important consumer groups. These problems are scarcely or not at all discussed

clearly in the report, and, above all, no concrete way for the improvement of

the situation ~~is~~ is shown.

2. The assuring of the supplying of the economy according-to- plan has a

~~greater~~ ~~greater~~ significance (even in a negative regard). ~~in the~~ ~~not~~ ~~to~~ ~~be~~ ~~carried~~ ~~out~~

The fact that the DDR ~~xxxx~~ DDR yield is based on a monthly date and the

importing is based only on quarterly dates. Since effective assortment reserves

are not present either in the industries or in the wholesale trade, there appear gaps

in the supplying as the imports are incontinuous; these gaps cannot be

practically closed. As for the ~~xxxx~~ remainder, there results also technical

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shortages for the consumer; this they cannot anticipate whether they receive

these certain materials from the DDR or from importing.

Furthermore the specified ~~known~~ dateline is placed ahead ; therefore, the

real demand is not known; this plays a negative role. For this reason in a

majority of cases doubtful datelines must be made, which later differ from

the actual orders of the consumers, new gaps in the supply show up again.

Moreover because of this a surplus over the ~~known~~ plan level appears , since

the imported goods which did not correspond to demand must be stored and must

remain unproductive for a long time until they are needed further.

The report does not touch upon this aspect. The reason for this is that no one

in the foreign trade field will handle this because of ~~known~~ Rau's strong

position.

3. What good is it to determine which known stock reserves of the wholesale trade

are ~~necessary~~ ~~insufficient~~ absolutely necessary and must be built up, if at the

same time it is not decided as to how this goal in the individual cases is

to be attained. There are practically no reserves for the bottleneck positions:-

(for example: the ~~most~~ metallurgical products of fine bar steel, beams, Monier

iron for the building industry, strip steel (Kaltband), aluminum semi-finished

steel, copper semi-finished steel, transformer sheets etc. ) Furthermore, at

present the necessary storage and transit facilities are completely lacking

for the storage of materials. The new investment program for the wholesale industry

of about 400 million in maximum cases until 1965 is insufficient, it has

come much too late and in my opinion as the result of the lack of building

capacities, steel building capacities and insufficient number of cranes, LKW

etc. is not being realized at this time for the internal economy, as previous

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experiences have shown.

Real stock reserves can be built up in sufficient amounts for the improvement of the supply only if in the planning from time to time the bottleneck material is reduced for certain consumer groups or an increase over the exact demand plan in importing is made possible. For political reasons ~~the~~ the first way is not used and foreign curries are lacking for the second.

4. Labor Shortage and Unqualified Officials in the Wholesale Industry. This situation has not improved as so many in this field have performed so poorly in the past. The labor market has no reserves because of the retention of the ~~redundancies~~ anomalously high unproductive administrative expense, as is typical in the planned Communistic economy. Moreover the trade pays poorly, consequently all the people aim for industry.

5. The present Ordering System and the narrow-minded interpretation of the Contract Court. Although the necessary conditions are not given, there is a further basic shortage about which not one word is written in the report. The existing arrangements for the delivery and supplying of the respective product groups <sup>are</sup> ~~are~~ in ~~need~~ need of great ~~huge~~ change, particularly those that concern metallurgical materials. For a year an attempt has been made to come up with something better in the field of ~~not~~ metallurgical products. This failed because of the special desires of the foreign trade industry for importing and the consumer for the shortest delivery time possible. At present help is found in the National Metal Office, in contrast to the proper legal regulation with the approval of the National Planning Commission through the directed demand inquiries according to an extensive assortment ~~new~~ nomenclature, which are to be submitted quarterly.

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for the proper quarterly order dates from the orders, in order to complete at the right time the delivery plans which contain practically the productive plan for the manufacturing firms. This makes for double work for the orderer as well as for the office. Beyond that pending corrections etc.

Also, moreover by this expedient in the metallurgical industry, the correct arrangement ~~for~~ of the import ~~side~~ side must be dealt with as a particular complex or again it will result in supply difficulties.

It is solely to carry out the balancing ~~at~~ the same time of the DDR production with the imports according to the real demand in order to accrue the best possible yield sources as well as to utilize to the best advantage the material economically.

6. The Work of the Bezirks in the material economy area is absolutely inadequate. This is not the fault of the bezirks but is the fault for the most part of the much too complicated system and the many confusions contained therin. Moreover no ~~expedite~~ exports are at hand and the necessary working apparatus must first be built up.

7. For the import side of the economy, completely new order dates have been made recently for the wholesale trade vis a vis the foreign trade industry, which realized the imports up to the limit. The wholesale offices, which has the responsibility of developing the importing side from the border to the end consumer, must submit already the final specifications to the foreign trade office for imports of ~~the~~ metallurgical products ( which make up about a third of the imports for the internal consumption) from the socialistic area up to September 15th of the previous year for the following

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first half of the next year, and on the fifteen of November for the rest of the following year. Since for these dates there is still not available any kind of real demand data on the consumer side, the National Metal Office must make up doubtful specifications without any actual market analyses. Despite serious objections ~~to the offices~~ from the offices, the National Planning Commission agreed and approved these new dates despite the Russian pressures. The supply difficulties resulting from this shall if at possible, be bridged over by corresponding imports from the capitalistic world, for the relatively short term order dates. Only in a very limited way does this work out, since the import volume from the West is much too small and for further imports foreign currencies are lacking. [ ] this situation is

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already working out most unfavorably for the second half of 1959 and particularly serious difficulties are resulting in the bottleneck positions of fine bar steel, alloy sheets, aluminum profile, bands, rods and half-finished copper.

8. The present Structure of the Wholesale Offices is still very poor.

In particular, there is no kind of orderly separation of the highest from duties ~~for~~ the pure trade duties. On the trade side this refers to the sales office vis a vis the consumers on the greatest decisions as binding administrative actions; this the National Contract Court must recognize although it is the same office. From this peculiar situation ~~it works out~~ currently to the disadvantage of the consumer. Of course, there are further inadequacies in the organization of the offices which refer

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to the balancing and the export trade and especially for the working  
for  
out of the orders ~~involving~~ the delivery plans and developing  
in the orders.

[redacted] in the Zone the area of

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the material supply is the major bottleneck and to date no method for  
achieving real improvements has succeeded. In every firm the problems  
and difficulties play the most important role and currently almost  
the entire administrative apparatus is employed only to solve this  
problem. The head officials of the firms are themselves continuously  
on the job seeking to overcome the bottlenecks through personal  
negotiations.

[redacted] the measures now set up by the government for the

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improvement of the work in this field will bring about no essential  
progress, since they approach the aspects of the problem too  
superficially and too cautiously and, above all, give too little  
attention to the material side. The failure in the Plan of Action are  
formed within and are being clung to for reasons already given, and  
the real shortages and deficiencies are not being dealt with clearly  
and uncompromisingly in full scope.

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